



Broker Insight Report:

How Insurance Oversights Can Lead to Devastating Claims Denials

PROFESSIONAL LIABILITY

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Focus on giving advice instead of defending it.

Imagine this scenario: you've provided a service and shared your expertise. And now you're being sued by the very client you helped — *because* of the service you provided. Regardless of your industry, if you provide guidance or counsel, you are at risk of a Professional Liability (also known as errors and omissions or E&O) lawsuit. And today, with the professional services market becoming increasingly competitive and litigious, your risk is greater than ever.

TOP FIVE PROFESSIONAL LIABILITY ACCUSATIONS

Professional Liability claims can include a variety of accusations.

Here are the top five:

- Misrepresentation
- Breach of professional services
- Wrongful business practices
- Misleading advice
- Conflict of interest

It's Not All about You

Make sure to carefully vet your vendor partners; they can be a key source of professional liability exposure.

Don't fall into this trap. Evaluate all contractors, subcontractors and vendors before you hire them. If it's too late for that, Professional Liability coverage can save you from a potentially devastating lawsuit and significant damage to your reputation.

32%

of business owners underrate their vendor risk¹⁴ and fall victim to Professional Liability lawsuits because of those relationships.

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If something goes wrong, a small company has a limited balance sheet. They may not have the funds to respond or defend themselves. Traditional professions can't survive without proper Professional Liability insurance. No one is immune from litigation today. It can mean exposure that people don't even realize.

— **Executive Vice President**

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Try It On for Size

There's no such thing as a one-size-fits-all Professional Liability policy, because each professional services industry and market has its own unique risks, exposures and potential coverage gaps.

Find a specialist broker to negotiate coverage specific to your industry, market and location.

Remember: your general liability policy doesn't cover your professional exposures.

A general liability policy never offers umbrella protection. Rather, it is limited in its scope, applying only to personal and bodily injury and property damage. It will not cover a Professional Liabilities claim.

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Not everything that happens to you is covered under any one type of insurance, and sometimes things happen that are covered under multiple insurance policies. That's why it's important to explore any coverage available, including any overlap, and measure it all against your risk.

— Senior Vice President

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Top Four Ways to Avoid a Professional Liability Claims Denial

1. Make sure your policy is unique to your professional service.

Look for a broker who specializes in your professional service. Be wary of those who don't complete a thorough analysis of your services and their potential exposures prior to quoting policy limits.

2. Ensure your policy is as broad as possible.

Narrowing exclusions could overlap with your greatest exposures — make sure your core business functions aren't excluded. For example, a technology services firm that has developed an app used to collect data should not buy a policy with a data-collection exclusion.

3. Be sure your policy correctly identifies *all* the professional services you offer.

Make sure the policy's definition of professional services includes *everything* you do; otherwise, you may face exclusions and coverage denial in areas not explicitly mentioned.

4. Insist on a policy that takes into account your entire suite of coverage.

When all your policies line up together, gaps in coverage will be minimized, if not eliminated.

Real Professional Liability Claims Stories

Incorrect care label costs a clothing manufacturer \$500,000

A retail store chain sued one of its clothing manufacturers, blaming the vendor for numerous customer complaints and returns related to claims that the clothes shrank when washed. The culprit was eventually determined to be an incorrect care label sewn into the garments, and the manufacturer settled for \$500,000 — which was paid by the company's Professional Liability policy.

Bad tax advice opens the door to IRS fines and audit

A tax-consulting firm gave inaccurate advice to a small business; the business then filed misstatements with the IRS that resulted in fines and an audit exposure. The small business sued the tax-consulting firm for its error, triggering the firm's Professional Liability policy.

Online billing software crash results in a costly Professional Liability claim

Hundreds of companies keep track of, and issue, corporate billing statements using an online application created by one technology firm. Due to an unexpected technical error, the application crashed and was unavailable for 24 hours, leaving users unable to process their statements. A resulting lawsuit led to a costly Professional Liability claim for the technology firm.

Investors' expectations prove costly for asset management firm

When an investor's returns do not meet their expectations, it can lead to a significant exposure. One asset management firm found this out the hard way, with a lawsuit that resulted in a \$950,000 settlement. Despite the firm's strong track record, it was not immune to claims by disgruntled investors who, following a downturn in the financial markets, alleged errors on the asset manager's part. Such high-stakes cases can often result from events over which the asset manager has no control, such as an Initial Public Offering (IPO).

Protect what matters most.

Learn how professional liability protects your business and your reputation.

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